



Representative Patty Butler

32nd District Special Report on Energy Deregulation

January 1998

Dear Neighbors:

The 1998 Legislative Session will focus on a number of important issues. I intend to focus much of my attention on more funding for School-To-Work programs; additional money for higher education; saving our salmon runs; and funding programs that serve disabled children and adults. There is another issue you will be hearing a great deal about: energy deregulation.

Because few of us are familiar with this topic, and it would affect everyone who uses electricity, I wanted to give you some information that will help you understand the issue.

This newsletter answers some common questions about energy deregulation. I hope it gives you insights into this important issue, which could drastically change the way we obtain and use our power.

Those who study electric power know that people in Washington state enjoy some of the cheapest, cleanest electric power in the country. We're fortunate to have an abundance of low-cost hydroelectric power, much of it generated by dams along the Columbia River that are operated by the Bonneville Power Administration (BPA).

But our electric rates could skyrocket if efforts to deregulate the electric industry succeed.

Large industrial users of power, multinational power marketers, and certain utilities will be pushing hard for energy deregulation during this legislative session.

I'm concerned about how deregulation might affect your electric rates, as well as the reliability of our power system, our natural resources, and the Bonneville Power Administration.

Rest assured that I'll do everything I can to make sure consumers' interests are protected. In the meantime, I'm particularly interested in your views on energy deregulation. Please don't hesitate to call, write, or e-mail me with your comments.

Thank you for the privilege of representing you.

Sincerely,

Patty Butler

Patty Butler
State Representative

Olympia office:

308 John L. O'Brien Bldg.
P.O. Box 40600
Olympia, WA 98504-0600
(360) 786-7880

E-mail:

butler_pa@leg.wa.gov

Committees:

- Natural Resources,
*Assistant Ranking
Minority Member*
- Finance
- Higher Education

Toll-free Legislative Hotline:

1-800-562-6000

TDD (for the hearing-impaired):

1-800-635-9993

32nd District Special Report on Energy Deregulation

What is energy deregulation?

Currently, you are able to get your power from just one provider like Seattle City Light or Puget Sound Energy. Under deregulation, you'd choose where you get your electricity – just like you choose your long-distance phone company. The power lines that run into your home would remain, but you might get one bill from the utility that maintains the lines, and another bill from the utility or power marketer that actually generates the electricity.

Why are some interests pushing for deregulation?

Although Washington's power rates are already low, some large industrial users of power believe competition will lower costs even more. Many of these users are already participating in pilot projects with their utilities which allow them to buy power on the open market. The utilities make them pay a tariff to help ensure that the cost of losing their big customers isn't shifted onto the smaller customers who are left behind. They'd like some limits on what these tariffs can include.

Multinational power marketers and some utilities want deregulation because they have lots of power they can sell on the open market and they're already prepared to compete. By selling to higher-cost states like California, whose rates are twice that of Washington's, they can make enormous profits.

These proponents argue that Washington state should deregulate now because other states are deregulating power – in California, for example – and Congress may pass legislation that deregulates the industry nationally. I believe we should closely watch the experiences of these states and learn from their mistakes before we rush into deregulation.

What could happen to my electric bill under energy deregulation?

Virtually every study that's been done on energy deregulation shows that rates would climb substantially in Washington state. For example, a recent Department of Energy analysis showed that rates here would soar by 25 percent or more – about \$200 per household per year.

Early this year, Resource Data International also examined the potential impacts of energy deregulation. Looking at the Pacific Northwest, which has some of the lowest power rates in America, the study noted that one of the unintended consequences of a fully deregulated market might be that utilities in these states will be able to charge their customers more than current rates.

I believe that Washington state should not deregulate unless small users like us are assured we'll be better off. Unfortunately, we're finding there's nowhere for our rates to go but up.

What are some of the other risks of deregulation?

Cost shifting: Faced with competition, utilities will try to give the best deal to their biggest customers in order to keep their business. In order to turn a profit, utilities likely would charge smaller customers like us higher rates to make up the difference.

System failures: Because utilities will be under pressure to hold down costs, the reliability of our system could be jeopardized. Utilities such as Seattle City Light already sells surplus power to out-of-state markets, such as the recently announced deal to power the California Nordstrom stores. Faced with bigger profits from outside the region, will utilities be tempted to increase the amount of power that is considered "surplus?"

That could result in rolling brown-outs sometimes experienced on the East Coast. California, which has plunged head first into deregulation, is already experiencing record numbers of brown-outs and blackouts.

Utilities also may be tempted to cut back on important preventive maintenance programs, such as summer tree trimming around power lines to reduce line losses during winter storms.

Worker layoffs and downsizing: Other industries that have deregulated – such as trucking and airlines – experienced the loss of thousands of jobs during the first decade under deregulation. What evidence do we have that history won't repeat itself with energy deregulation? If utilities reduce the number of crews available, or cut back on worker training, we could see more worker injuries, and have to wait longer to get our power restored during outages.

Loss of funding for long-term social and environmental goals: When competition and profit become the driving force in energy sales, will companies continue to pay for things we consider important, such as low-income energy assistance, restoring salmon runs hurt by hydro dams, weatherization programs for the elderly and poor, and generating power with more expensive, clean-burning fuel?

What is "portfolio access?"

Recently, a new proposal called "Portfolio Access" has surfaced. Its architects call it a compromise between wide-open deregulation and doing nothing. Under the portfolio plan, your current power company would continue bringing you power. However, all customers would be able to choose different kinds of power sources, such as wind or solar-generated power, which is more expensive. Most of our power already is hydro – the cleanest and cheapest power there is. Very large industrial customers would have additional choices, such as being able to buy their electricity from national power marketers.

As yet, I am not aware of anything in the portfolio plan that would put consumers' interests first, and guarantee that residential customers would benefit.

What should we do next?

Energy deregulation will probably remain an issue for many years. I believe the best thing we can do now is take time to learn more. Lessons from the California deregulation experiment, from our state's pilot projects with competition, and from everyday citizens can help us to keep Washington's unique advantages related to electric power.

What do you think?

Large industrial users are pushing for energy deregulation to lower their costs. Average consumers are being told deregulation is good because it will give them the right to choose their energy provider. Is there anything about your current electric utility that makes it important for you to choose from whom you buy your electricity?

Yes _____ No _____

Are you willing to trade the present, regulated system for a profit-based one that involves telemarketing for your business and multiple bills for various phases of energy use, such as generation, transmission, and delivery?

Yes _____ No _____

Washington state has a long history of strong public involvement in developing our power system, which is why we have Public Utility Districts (PUDs) and the Bonneville Power Association, as well as some of the lowest rates in the country. Proponents want deregulation legislation passed by the end of our 1998 session, which begins in January and runs just 60 days. No public hearings have taken place yet. Do you believe we need more time for the public to become better informed on this major policy shift which affects every one of us?

Yes _____ No _____

(continued on back)

Please
place
32¢
stamp
here

**Representative
Patty Butler**
PO Box 40600
Olympia, WA 98504-0600

What do you think? *continued*

Do you believe the public benefits that we now get from our power system _ such as environmental protection, restoring fish runs, serving people in remote areas, low-income assistance and conservation _ will be properly served under a deregulated energy market?

Yes _____ **No** _____

Comments _____

BULK RATE
U. S. POSTAGE PAID
Washington State
Department of Printing

**32nd DISTRICT SPECIAL REPORT:
ENERGY DEREGULATION**

**Representative
Patty Butler**

PO Box 40600
Olympia, WA 98504-0600

